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File ACT/047/005

SHALE DEVELOPMENT CORPORATION

DEVELOPERS OF THE SAND WASH PROJECT

PHONE (714) 793-1673
313 HIGH STREET
REDLANDS, CALIFORNIA 92373

February 8, 1984

RECEIVED
FEB 14 1984

THE HONORABLE SCOTT MATHESON
Governor of Utah
Salt Lake City, Utah 84114

**DIVISION OF
OIL, GAS & MINING**

RE: Utah Energy Development

SUB: Sand Wash Project Bond

Dear Governor Matheson:

As you may recall, your office invited the writer to address, on December 2, 1980, the Utah Energy Cabinet (copy of letter attached). You may also be aware that we are probably the only firm with a Utah based oil shale project that is attempting to proceed with development without assistance of the Federal Government.

You have made public statements concerning the necessity for Utah to develop a vital energy resource program, and to this we heartily agree. We have, however, come upon a tremendous road block to Utah energy developments. We believe that not only are we experiencing this problem but others are encountering the same difficulty. In fact, Utah is becoming infamous over this one problem.

Before we outline this problem, let us assure you that the Division of Oil, Gas and Mining has been extremely cooperative and Jim Smith, Cy Young and Pamela Grubaugh-Littig should be singled out for commendation for their efforts.

The problem, which we believe will seriously hamper Utah development, is "The Mined Lands Reclamation Act Bond" form presently in use. The wording of the form (copy attached) has a non cancellation clause. This means to the Underwriter that even though a mining permit may only cover a three year period, the bond and its implied liability would remain in force for eternity. When this problem was presented to

Mrs. Grubaugh-Littig, she assured us that this type of interpretation was not the intent of the Division and felt that the Division could issue a letter to correct the problem. Upon checking with the Legal Department, she was told that it would take approximately two years to clear up the problem and in the mean time the State could do nothing to correct the error.

We are enclosing a letter from our bonding agent (copy attached) which outlines the problem. This letter further states that the underwriters will only accept this form from such "giants" as Texaco, Chevron, Standard Oil and Exxon. This effectively means that the State of Utah is bringing about discrimination against the smaller firms which are actively trying to develop projects within the State of Utah, and all through a clerical error.

As a proponent of active development which will enhance the economy of Utah, we feel sure that you will want to use your considerable influence to rectify this problem.

Again, we want to commend you for the competence and cooperation of your staff within the Division of Oil, Gas and Mining and trust that we will receive prompt attention on the issuance of our much needed mining permit.

We look forward to receiving your timely response.

Very truly yours,

SHALE DEVELOPMENT CORPORATION

Delbert D. Thomas

Delbert D. Thomas
President

DDT:cp

cc: Rio Verde Mining Company
Cy Young
✓ Pamela Grubaugh-Littig
Jim Smith



SCOTT M. MATHESON
GOVERNOR

STATE OF UTAH
OFFICE OF THE GOVERNOR
SALT LAKE CITY
84114

November 20, 1980

Shale Development Corporation
313 High St.
Redlands, California 92373

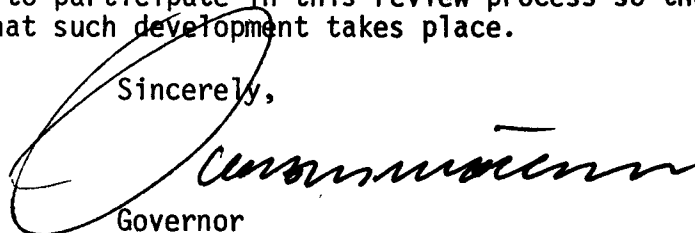
Gentlemen:

I have been notified by the Department of Energy that your company has submitted a proposal for financial assistance under the Non-Nuclear Research and Development Act (NNA) or the Defense Production Act (DPA) for a synthetic fuel project in Utah. The NNA provides that projects will not be funded unless the state in which the project is located concurs in that decision. Although the DPA does not contain a specific requirement for concurrence of the state, DOE has indicated that they desire and will consider state input.

To facilitate the development of our state position on such projects I have asked my Energy Cabinet to act as a state review board. In order for your project to be included in this process, it will be necessary for you to provide a copy of the proposal submitted to DOE to the Utah Energy Office, 825 North Third West, Salt Lake City, Utah, 84103, no later than noon November 28, 1980. The Energy Cabinet will meet on December 2 at 8:30 A.M. to review the projects and develop their recommendations. Time will be allowed at that meeting to make a 15-minute presentation and respond to questions from that group. To make arrangements for such a presentation, you should contact Brec Cooke, Assistant Director for Resource Development, at the Utah Energy Office, (801) 533-5424. If you are unable to participate in this meeting your project will still be included in our review if your proposal has been provided to the Utah Energy Office.

The State of Utah strongly supports the development of its energy resources. I urge you to participate in this review process so that we can assist in seeing that such development takes place.

Sincerely,



Governor

SMM:jl

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
4241 State Office Building
Salt Lake City, Utah 84114

THE MINED LANDS RECLAMATION ACT

BOND

The undersigned _____
as principal, and _____ as
surety, hereby jointly and severally bind ourselves, our heirs, administrators,
executors, successors and assigns unto the State of Utah, Division of Oil, Gas
and Mining in the penal sum of _____
dollars (\$_____).

The principal estimated in a "Notice of Intention to Commence Mining
Operations and a Mining and Reclamation Plan," filed with the Division of Oil,
Gas and Mining on the _____ day of _____,
19____, that _____ acres of land will be affected by this mining
operation in the State of Utah. A description of the affected land is attached
hereto as Exhibit "A."

When the Division has determined that the principal has satisfactorily
reclaimed the above-mentioned lands affected by mining in accordance with the
approved Mining and Reclamation Plan and has faithfully performed all
requirements of the Mined Land Reclamation Act, and complied with the Rules
and Regulations adopted in accordance therewith, then this obligation shall be
void; otherwise it shall remain in full force and effect until the reclamation
is completed as outlined in the approved Mining and Reclamation Plan.

If the approved plan provides for reclamation of the land affected on a
piecemeal or cyclic basis, and the land is reclaimed in accordance with such
plan, then this bond may be reduced periodically.

In the converse, if the plan provides for a gradual increase in the area
of the land affected or increased reclamation work, then this bond may
accordingly be increased with the written approval of the surety company.

The Division shall only accept the bond of a surety company if the bond is
noncancellable by the surety at any time for any reason including, but not
limited to nonpayment of premium or bankruptcy of the permittee during the
period of liability.

MR FORM 5
Page Two

NOTE: Where one signs by virtue of Power of Attorney for a surety company, such Power of Attorney must be filed with this bond. If the principal is a corporation, the bond shall be executed by its duly authorized officers with the seal of the corporation affixed.

Principal (Company)

By _____
Company Official - Position

Date: _____

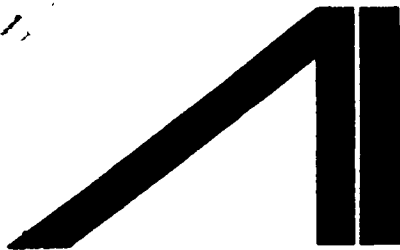
Surety (Company)

By _____
Official of Surety - Position

DATE: _____

BOARD:

DATE: _____



ASSOCIATED
INSURERS
of Western Colorado

Tom Pool
Bruce Kochevar
Jim Pool
Tom Gilmer

January 20, 1984

J. Newton Burkhalter
dba Burkhalter Engineering
715 Horizon Drive, Suite 330
Grand Junction, Colorado 81501

Re: Burkhalter Engineering/Shale Development Corp.
State of Utah
Reclamation Bond

Dear Newt,

As you are aware, we have approached numerous bonding markets in an attempt to obtain a reclamation bond in your behalf for the State of Utah. Bonding markets we have contacted include Fireman's Fund, Aetna Life and Casualty, Balboa, The Travelers and Seaboard Surety.

All companies contacted would be willing to issue the bond as specified, but only, as evidenced by copies of correspondence received, if the bond could be based on 100% liquid collateral such as cash, CD's, treasury bills, an irrevocable letter of credit or similar liquid form. This is required because the bond form for the State of Utah does contain a non-cancellable clause.

We are aware that the bond in question has been issued as required by the State of Utah without liquid collateral requirements, but this has been done for entities such as Texaco, Chevron, Standard Oil, and Exxon which have extremely strong financial backing and following.

At this point in time, we can only issue the bond with the collateral requirements which essentially defeats the purpose of the bond. Not only would you have to guarantee the bond, you would have a bond premium too.

I'm sorry we are unable to relay any positive information on the point in question.

Please advise me of your intent as to the bond issuance at your earliest possible convenience.

Sincerely,



Thomas D. Pool, CIC

TDP/co